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ATTORNEYS FOR PLAINTIFF
FEDERAL TRADE COMMISSION

UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA

FEDERAL TRADE COMMISSION,

Plaintiff,

v.

MEDIWORKS, INC.,
a California corporation,

UNITED MEDICAL ASSOCIATES,
a general partnership
also doing business as
UNITED LEGAL & MEDICAL
ASSOCIATES and MEDIWORKS,

ROBERT D. SEALS, and
TATE STRINGER, individually,
as officers of MEDIWORKS,
INC., and as partners trading
and doing business as UNITED
MEDICAL ASSOCIATES, UNITED
LEGAL & MEDICAL ASSOCIATES,
and MEDIWORKS, and

CORY DIXON, an individual
trading and doing business as
MEDIPROS,

Defendants.

CIVIL NO.

00-01079 CAS (MANx)
COMPLAINT FOR INJUNCTION
AND OTHER EQUITABLE
RELIEF

COMPLAINT

1 of 11

1 Plaintiff, the Federal Trade Commission ("FTC" or "the
2 Commission"), for its complaint alleges:

3 1. The FTC brings this action under Sections 5(a) and 13(b) of
4 the Federal Trade Commission Act ("FTC Act"), 15 U.S.C. §§ 45(a) and
5 53(b), to obtain temporary, preliminary, and permanent injunctive
6 relief, rescission of contracts, restitution, disgorgement,
7 appointment of a receiver, and other equitable relief for defendants'
8 violations of Section 5(a) of the FTC Act, 15 U.S.C. § 45(a).

9 **JURISDICTION AND VENUE**

10 2. This Court has subject matter jurisdiction over this action
11 pursuant to 28 U.S.C. §§ 1331, 1337(a), and 1345, and 15 U.S.C.
12 § 53(b). This action arises under 15 U.S.C. § 45(a)(1).

13 3. Venue in the United States District Court for the Central
14 District of California is proper under 28 U.S.C. §§ 1391(b) and (c),
15 and 15 U.S.C. § 53(b).

16 **THE PARTIES**

17 4. Plaintiff, the Federal Trade Commission, is an independent
18 agency of the United States Government created by statute. 15 U.S.C.
19 § 41 et seq. The Commission is charged, inter alia, with enforcement
20 of Section 5(a) of the FTC Act, 15 U.S.C. § 45(a), which prohibits
21 unfair or deceptive acts or practices in or affecting commerce. The
22 Commission is authorized to initiate federal district court
23 proceedings, by its own attorneys, to enjoin violations of the FTC
24 Act in order to secure such equitable relief as may be appropriate in
25 each case, and to obtain consumer redress. 15 U.S.C. § 53(b).

26 5. Defendant MediWorks, Inc. ("MediWorks"), a California
27 corporation with its principal place of business at 4730 Woodman
28 Avenue, Suite 420, Sherman Oaks, California 91423, and additional

1 offices at 1207½ Ventura Blvd., Studio City, California 91604,
2 advertises, promotes, and sells medical billing employment
3 opportunities. MediWorks transacts or has transacted business in the
4 Central District of California.

5 6. Defendant United Medical Associates ("UMA"), a California
6 general partnership with its principal place of business at 4730
7 Woodman Avenue, Suite 420, Sherman Oaks, California 91423, and
8 additional offices at 1207½ Ventura Blvd., Studio City, California
9 91604, advertises, promotes, and sells medical billing employment
10 opportunities. UMA does business under the fictitious names United
11 Legal & Medical Associates and MediWorks. UMA transacts or has
12 transacted business in the Central District of California.

13 7. Defendant Robert D. Seals is the President and Chief
14 Executive Officer of MediWorks and is a partner of UMA. At all times
15 material to this complaint, acting alone or in concert with others,
16 he has formulated, directed, controlled, or participated in the acts
17 and practices of MediWorks and UMA, including the acts and practices
18 set forth in this complaint. He transacts or has transacted business
19 in the Central District of California.

20 8. Defendant Tate Stringer is the Chief Financial Officer of
21 MediWorks and is a partner of UMA. At all times material to this
22 complaint, acting alone or in concert with others, he has formulated,
23 directed, controlled, or participated in the acts and practices of
24 MediWorks and UMA, including the acts and practices set forth in this
25 complaint. He resides and transacts or has transacted business in
26 the Central District of California.

27 9. Defendant Cory Dixon is a sole proprietor and owner of
28 MediPros, located at 1207½ Ventura Blvd., Studio City, California

1 91604. At all times material to this complaint, acting alone or in
2 concert with others, he has formulated, directed, controlled, or
3 participated in the acts and practices of MediPros, including the
4 acts and practices set forth in this complaint. He resides and
5 transacts or has transacted business in the Central District of
6 California.

7 10. Defendants MediWorks, UMA, and MediPros share office space,
8 sell the same medical billing software, and cooperate and act in
9 concert to carry out the defendants' business practices as alleged
10 herein. They constitute a common enterprise for purposes of this
11 proceeding.

12 COMMERCE

13 11. At all times relevant to this complaint, the defendants
14 have maintained a substantial course of trade in the offering for
15 sale and sale of medical billing employment opportunities, in or
16 affecting commerce, as "commerce" is defined in Section 4 of the FTC
17 Act, 15 U.S.C. § 44.

18 DEFENDANTS' BUSINESS ACTIVITIES

19 12. Since at least October 1997, and continuing thereafter,
20 defendants have advertised, promoted, and sold medical billing
21 employment opportunities to consumers. The defendants have promoted
22 their medical billing employment opportunities to prospective
23 purchasers in a variety of media, including classified advertisements
24 in newspapers.

25 13. In their advertisements, defendants offer full or part-time
26 medical billing jobs that will pay well. The defendants'
27 advertisements state that they will provide training, and urge
28 consumers to call defendants' toll-free telephone number to learn

1 more about the opportunity. For example, defendants' classified
2 newspaper advertisements typically state:

3 **"MEDICAL BILLING**

4 Earn excellent \$\$\$!

5 Full Training Provided.

6 Computer required."

7 14. Defendants also advertise their medical billing employment
8 opportunity on their Internet Web sites www.mediworks.com and
9 www.medipros.com, and encourage consumers to call the defendants'
10 toll-free number to learn more about the opportunity. For example,
11 defendants' Internet advertisements state:

12 "With doctors spending up to 40 cents on every
13 dollar earned on in-house billing, it makes
14 economic sense to out-source their billing to you
15 as an outside service. It is common for an
16 outside billing service to receive fees of \$3-\$7
17 per claim or 5-10% of the collected income

18

19 Having your own billing center is very exciting
20 when you look at the income potential and how
21 quickly it can happen. A quick look at these
22 simple statistics will give you an insight as to
23 the possibly enormous opportunity at hand:

- 24 • **One-** The average physician generates
25 anywhere from 300 to 500 claims per week.
- 26 • **Two-** The average medical biller can process
27 approximately 30 claims per hour.
- 28 • **Three-** The medical biller charges an average

of \$4.00 per claim.

- **Four-** One practice can produce an income of \$4,800 to \$8,000 per month with a time investment of less than 20 hours a week!

Hundreds of people who have had no previous experience in the medical billing industry have taken advantage of the current opportunity. They are setting their own hours and working at home, while spending more time with their families, and earning more than they ever have before. This is truly a "win-win" situation. By providing a crucial service for doctors and saving them tremendous amounts of money in overhead, at-home billers are achieving financial security and finding a rewarding experience in owning their own business."

15. Consumers who call the defendants' toll-free telephone numbers are ultimately connected to defendants, or to their employees or agents, who represent to consumers that in exchange for a payment, often in excess of \$300, consumers will receive what they need to get started in medical billing, including: (1) the software necessary to do electronic billing for physicians in the consumer's local area; (2) the names and addresses of physicians who would use them to process their claims; and (3) training and other assistance.

16. The defendants or their employees or agents also make representations about the earnings potential of their medical billing employment opportunity, and the actual earnings of prior purchasers. For example, the defendants or their employees or agents typically

1 represent that consumers will be paid at a rate of at least \$3 per
2 claim they process. They also claim that consumers will earn: (1)
3 from \$15 to \$50 or more per hour; (2) \$1,500 per week; or (3) from
4 \$20,000 to as high as \$50,000 per year.

5 17. In numerous instances, the defendants or their employees or
6 agents tell consumers that they have nothing to lose by purchasing
7 the defendants' medical billing employment opportunities. They often
8 represent that consumers can obtain a refund if they are not
9 completely satisfied with the package.

10 18. The billing package which consumers receive includes, inter
11 alia, computer programs, training and instruction materials, and a
12 list containing contact information for physicians who allegedly will
13 use the consumers to process their claims.

14 19. In numerous instances, when consumers contact the
15 physicians on the list, they are told that the physicians do not have
16 any relationship or arrangements with the defendants and neither want
17 nor need medical billing services. As a result, few, if any,
18 consumers who purchase the defendants' medical billing employment
19 opportunity earn any income.

20 20. Many consumers have complained to the Defendants and have
21 requested a refund. Despite these requests, many have not received
22 any refund money from the Defendants. In addition, in many
23 instances, consumers who expected full refunds received only partial
24 refunds because the company charged them a nonrefundable registration
25 fee or other fees or charges.

26 VIOLATIONS OF SECTION 5 OF THE FTC ACT

27 21. Section 5(a) of the FTC Act, 15 U.S.C. § 45(a), provides
28 that "unfair or deceptive acts or practices in or affecting commerce

1 are hereby declared unlawful."

2 COUNT I

3 22. In numerous instances in the course of offering for sale
4 and selling their medical billing employment opportunities,
5 defendants or their employees or agents have represented, expressly
6 or by implication, that consumers who purchase the medical billing
7 employment opportunity will earn specific level of earnings, such as
8 an income of from \$15 to \$50 per hour, \$1,500 per week, \$4,800 to
9 \$8,000 per month, or from \$20,000 to as high as \$50,000 per year.

10 23. In truth and in fact, few, if any, consumers who purchase
11 the defendants' medical billing employment opportunity earn, or will
12 earn, the specific level of earnings, such as an income of from \$15
13 to \$50 per hour, \$1,500 per week, \$4,800 to \$8,000 per month, or from
14 \$20,000 to as high as \$50,000 per year.

15 24. Therefore, defendants' representations as set forth in
16 Paragraph 20 are false and misleading and constitute deceptive acts
17 or practices in violation of Section 5(a) of the FTC Act, 15 U.S.C.
18 § 45(a).

19 COUNT II

20 25. In numerous instances in the course of offering for sale
21 and sale of medical billing employment opportunities, defendants or
22 their employees or agents have represented, expressly or by
23 implication, that they will furnish the names and addresses of
24 physicians who are likely to use the consumers to process their
25 medical claims.

26 26. In truth and in fact, in most instances, the physicians
27 whose names defendants provide or recommend will not use the
28 consumers to process their medical claims.

1 27. Therefore, defendants' representations as set forth in
2 Paragraph 23 are false and misleading and constitute deceptive acts
3 or practices in violation of Section 5(a) of the FTC Act, 15 U.S.C.
4 § 45(a).

5 COUNT III

6 28. In numerous instances in the course of offering for sale
7 and selling their medical billing employment opportunities,
8 defendants have represented, expressly or by implication, that they
9 will provide full refunds to consumers upon request.

10 29. In truth and in fact, in numerous instances, defendants
11 have not provided full refunds to consumers upon request.

12 30. Therefore, defendants' representation as set forth in
13 Paragraph 26 is false and misleading and constitutes a deceptive act
14 or practice in violation of Section 5(a) of the FTC Act, 15 U.S.C. §
15 45.

16 COUNT IV

17 31. In numerous instances in the course of offering for sale
18 and selling their medical billing employment opportunities,
19 defendants have represented, expressly or by implication, that they
20 will provide partial refunds to consumers upon request.

21 32. In truth and in fact, in numerous instances, defendants
22 have not provided partial refunds to consumers upon request.

23 33. Therefore, defendants' representation as set forth in
24 Paragraph 29 is false and misleading and constitutes a deceptive act
25 or practice in violation of Section 5(a) of the FTC Act, 15 U.S.C. §
26 45.

27 CONSUMER INJURY

28 34. Consumers nationwide have suffered or will suffer

1 substantial monetary loss as a result of defendants' violations of
2 Section 5(a) of the FTC Act. Absent injunctive relief by this Court,
3 defendants are likely to continue to injure consumers and harm the
4 public interest.

5 **THIS COURT'S POWER TO GRANT RELIEF**

6 35. Section 13(b) of the FTC Act, 15 U.S.C. § 53(b), empowers
7 this Court to grant injunctive and other ancillary relief, including
8 consumer redress, disgorgement and restitution, to prevent and remedy
9 any violations of any provision of law enforced by the Federal Trade
10 Commission.

11 36. This Court, in the exercise of its equitable jurisdiction,
12 may award ancillary relief to remedy injury caused by the defendants'
13 law violations.

14 **PRAYER FOR RELIEF**

15 WHEREFORE, plaintiff requests that this Court, as authorized by
16 Section 13(b) of the FTC Act, 15 U.S.C. § 53(b), and pursuant to its
17 own equitable powers:

18 1. Award plaintiff such preliminary injunctive and ancillary
19 relief, including a temporary restraining order and appointment of a
20 receiver, as may be necessary to avert the likelihood of consumer
21 injury during the pendency of this action and to preserve the
22 possibility of effective final relief;

23 2. Permanently enjoin the defendants from violating the FTC
24 Act, as alleged herein;

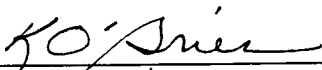
25 3. Award such relief as the Court finds necessary to redress
26 injury to consumers resulting from the defendants' violations of the
27 FTC Act, including but not limited to, the rescission of contracts,
28 the refund of monies paid, and the disgorgement of ill-gotten gains;

1 and

2 4. Award plaintiff the costs of bringing this action, as well
3 as such other and additional relief as the Court may determine to be
4 just and proper.

5
6 Respectfully submitted,

7
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9 General Counsel

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